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FEB 13 1 28 PM '98

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REFER TO FILE NO.-1234-28-1

DEC
60580

February 13, 1998

Arizona Corporation Commission
Attn: Director of Utilities
1200 W. Washington
Phoenix, Arizona 85007

E-01750A-97-0701

Arizona Corporation Commission

DOCKETED

FEB 13 1998

Re: E-1750-97 U-000094-165
Mohave Electric Co-op Filing on Unbundled Tariff



Dear Ladies and Gentlemen:

Enclosed you will find the unbundled tariff filing as required by the Arizona Corporation Commission rule on competition, and this is being filed in advance of the deadline of Friday, February 13, 1998.

Enclosed is an original and 10 copies for filing. We have also enclosed two (2) copies to be stamped and returned.

We will file an Affidavit of mailing to the appropriate parties.

Very truly yours,

Larry K. Udall
Larry K. Udall
For the Firm

LKU/ck

Enclosure: Unbundled Tariff

cc: Client w/o Enc.

COST OF SERVICE STUDY

UNBUNDLED TARIFF FILING

In order to comply with the Arizona Corporation Commission's (ACC) Electric Competition Rules (Rules), Mohave Electric Cooperative, Inc. (MEC) and the other Arizona rural electric utilities, through a cooperative effort of the Grand Canyon State Electric Cooperative Association and the National Rural Utilities Cooperative Finance Corporation (CFC), developed a common cost of service model. The goal of the effort was to develop a common methodology for identifying unbundled service costs and to develop the resulting tariff to be filed in accordance with the Rules. The model is based on certain common methodologies but is modified as necessary to meet the requirements of each cooperative and to recognize the differences that exist due to the characteristics of each cooperative and its respective service territory.

The electric utility industry is undergoing fundamental changes. Electric service has traditionally been provided on a monopolistic basis with little opportunity for customer choice. The ACC rules require that utilities develop unbundled rates that will segregate the cost elements of providing service into discrete components including:

- Distribution Service
- Metering and Meter Reading Services
- Billing and Collecting Services
- Information Services, e.g., providing customer information to other Electric Service Providers
- Open Access Transmission Service
- Ancillary Services

The first four items are those that would directly affect MEC while the Open Access Transmission and Ancillary Services are those that would be provided by power suppliers such as AEP/PCO. The rules also indicate that the current electric tariffs would be considered "Standard Offer" tariffs unless revisions are filed for approval. It is MEC's intent to adopt the current tariff as the standard offer. In order to assist Arizona's cooperatives in preparing the required filings, CFC developed a cost of service model that develops the allocated embedded cost of service for each of the services listed above.

The following provides a description of the methodologies used in the CFC model :

Revenue Requirements

Revenues generated by MEC's rates must be adequate to cover all costs of providing service including operations, maintenance, administration, depreciation, system improvements and replacements. Revenues must also be adequate to provide a return on equity and to meet mortgage covenants regarding times interest earned ratio (TIER) and debt service coverage (DSC). This preliminary MEC study has been designed so that revenues include margins sufficient to meet authorized TIER levels.

Cost of Service Analysis

The cost of service analysis was performed using calendar 1996 as the test year. Because in the competitive market place MEC will be a "Wireco" service provider, the cost of service study was designed to focus on the distribution and customer related costs. However, power supply costs cannot be ignored. Under the historical rate making model, MEC charges customers based on a fully bundled tariff with power purchases included in the rates. To compare current rate designs with the unbundled rate designs, it was necessary to identify the power supply components included in the current rates. Therefore, the first step in the study was to allocate the test year power supply for each rate class and deduct that cost from the revenues collected from each customer classification. Next, the remaining costs were allocated to each customer class. The study was developed by examining the investment required to serve each customer class and then allocating the costs, such as operations and maintenance costs related to that investment, to each class of service. The cost of service study model was developed using the minimum system concept. This concept recognizes that there are minimum system costs that would be incurred if, for example, every customer had only one light bulb. The MEC distribution system would still require poles, wires, transformers etc. The CFC model recovers those costs through a customer charge. The investment in distribution facilities in excess of this "minimum system" are capacity related costs. Certain costs such as metering and billing costs were assigned on a customer basis. In this study, approximately 50% of MEC's investment and corresponding costs are incurred due to customer based causes. The balance is allocated based on required capacity.

Rate Design

MEC's current rate designs (i.e., the rates that will become the standard offer) collect revenues through three components. For rates without demand charges, the revenue is collected through a customer or service availability charge that partially recovers fixed costs of providing service, and energy charges. Historically, regulators have deemed it desirable to keep the customer charge component low. Therefore, most of the cost recovery has been through the variable component or energy charge. This rate design results in some intraclass subsidies in that users with low consumption may not be paying their fair share of fixed costs. For large commercial and industrial users, the existing rate structure includes a demand charge that is designed to recover capacity costs including the capacity component of wholesale power expenses.

The CFC cost of service model develops several alternative rate designs for consideration. In each case, the metering, billing and customer charges are collected through monthly customer charges. The CFC model also develops a monthly charge to recover the "minimum system" distribution costs. The CFC model provides alternative methods for recovery of the capacity component. For customers with demand meters, the costs can be recovered through demand charges. For customers without demand meters, the costs can be recovered through energy charges, an additional fixed fee or an "access charge" or through a charge based on required transformer capacity.

There are several alternative rate designs that can be considered for the unbundled tariff. Each format has certain advantages and disadvantages. For example, charging a fee for customer "access availability" has the advantage of providing very stable revenues. However, it is a radical change from current methods and may encounter customer or regulatory resistance. The attached unbundled rate schedules recover some costs through the fixed or customer charge and some "fixed" costs will be recovered through energy charges. This format was adopted to prevent radical changes from the current rate design. While this design is technically not "correct", it would tend to lessen the impact to customers as the competitive market is instituted.

Standard Offer Tariff - As noted above, the ACC rules have been developed so that, absent a new filing, the existing tariff becomes the standard offer. While this is administratively convenient, it fails to recognize that the existing tariff may not recover costs correctly. For example, for most utilities, residential rates do not fully recover costs of service. There are cross class subsidies in today's rates and often commercial consumers pay more than their allocated costs. If commercial customers take advantage of the competitive marketplace, the revenue that has been available to subsidize residential or other users will no longer be available. Therefore, utilities may find that

revenue requirements may not be met. This concern was discussed during ACC workshops and the issue has not been resolved. MEC intends to use the current tariff as the standard offer but may revise the standard offer at a later date.

Other fees and schedules - With the unbundling of services and customer choice, MECE will need to develop fee schedules for services it does not currently provide. This includes services such as reading meters for others, installing more sophisticated metering, paperwork charges etc. While the ACC has not yet developed its final rules, it is likely that a complex set of fees, such as those being charged in California, will be implemented. In its current rule, the ACC does require utilities to file a rate for providing information to other energy suppliers. This information would include bill histories for customers and related data. The cost of service study does not address these types of costs. Therefore, a charge must be established based on estimated staff time and expenses related to responding to requests. An initial fee of \$25 per request is proposed. MEC will develop additional fee schedules as the methods for implementing a competitive energy market are identified.

Stranded Cost Recovery - MEC is a member of the Arizona Electric Power Cooperative and purchases its power under an all-requirements contract. Any stranded cost recovery authorized by the ACC will flow through MEC to the retail customer. MEC may make additional filings with the ACC related to stranded cost recovery when the ACC rules and/or orders on the issue are developed.

MOHAVE ELECTRIC COOPERATIVE, INC.

RATE SCHEDULE "R"

(Residential Service)

Availability:

1. Available to residential consumers within the utility's service area who elect to purchase energy resources from suppliers in the competitive market.

Character of Service:

Alternating current, single phase, 60 Hertz, at available secondary voltages. Three phase service may be furnished under the Cooperative's rules on line extensions.

2. This rate is not applicable to standby, supplementary or resale service.

Net Rate Per Month:

Fixed Monthly Distribution Charge	\$ 9.67
Variable Monthly Distribution & Local	
Transmission Charge, per kWh	0.0139
Metering Charge	1.19
Meter Reading Charge	0.57
Billing Charge	1.58
Public Benefits Charge, per kWh	0.0003

Tax Adjustments:

1. Total monthly sales for electric service are subject to adjustment for all federal, state and local governmental taxes or levies on such sales and any assessments that are or may be imposed by federal or state regulatory agencies on electric utility gross revenues.

Customer Information Charge:

1. Mohave Electric Cooperative shall have the right to assess a customer information charge to provide historical billing and usage data to energy service providers. Provision of this information will be subject to rules and regulations approved by the Arizona Corporation Commission. The charge for this service shall be \$25 per request.

Stranded Cost Charges:

1. Customer will be responsible for payment of charges or fees for stranded cost recovery and/or competitive market transition charges in accordance with rates and rules approved by the Arizona Corporation Commission.

MOHAVE ELECTRIC COOPERATIVE, INC.

RATE SCHEDULE "R"

Conditions of Service:

1. The terms and conditions for the provision of service to the consumer under this rate schedule are subject to the Rules and Regulations of the utility, as approved and modified from time to time by the Arizona Corporation Commission.

Effective Date:

1. This rate schedule is effective January 1, 1999.

MOHAVE ELECTRIC COOPERATIVE, INC.

RATE SCHEDULE "GS-1 1Ph"

(Small Commercial Service < 50kVA)

Availability:

1. Available to small commercial consumers with average monthly demands of less than 50 kW within the utility's service area who elect to purchase energy resources from suppliers in the competitive market.

Character of Service:

1. Alternating current, single phase, 60 Hertz, at available secondary voltages. Three phase service may be furnished under the Cooperative's rules on line extensions.

2. This rate is not applicable to standby, supplementary or resale service.

Net Rate Per Month:

Fixed Monthly Distribution Charge	\$ 21.39
Variable Monthly Distribution & Local	
Transmission Charge, per kWh	0.0085
Metering Charge	4.37
Meter Reading Charge	1.15
Billing Charge	3.16
Public Benefits Charge, per kWh	0.0003

Tax Adjustments:

1. Total monthly sales for electric service are subject to adjustment for all federal, state and local governmental taxes or levies on such sales and any assessments that are or may be imposed by federal or state regulatory agencies on electric utility gross revenues.

Customer Information Charge:

1. Mohave Electric Cooperative shall have the right to assess a customer information charge to provide historical billing and usage data to energy service providers. Provision of this information will be subject to rules and regulations approved by the Arizona Corporation Commission. The charge for this service shall be \$25 per request.

Stranded Cost Charges:

1. Customer will be responsible for payment of charges or fees for stranded cost recovery and/or competitive market transition charges in accordance with rates and rules approved by the Arizona Corporation Commission.

MOHAVE ELECTRIC COOPERATIVE, INC.

RATE SCHEDULE "GS-1 1Ph"

Conditions of Service:

1. The terms and conditions for the provision of service to the consumer under this rate schedule are subject to the Rules and Regulations of the utility, as approved and modified from time to time by the Arizona Corporation Commission

Effective Date:

1. This rate schedule is effective January 1, 1999.

MOHAVE ELECTRIC COOPERATIVE, INC.

RATE SCHEDULE "GS-2 1Ph"

(Small Commercial Service 50-350 kVA Single Phase)

Availability:

1. Available to small commercial consumers with average monthly demands of 50 to 350 kW within the utility's service area who elect to purchase energy resources from suppliers in the competitive market.

Character of Service:

1. Alternating current, single phase, 60 Hertz, at available secondary voltages.
2. This rate is not applicable to standby, supplementary or resale service.

Net Rate Per Month:

Fixed Monthly Distribution Charge	\$ 23.00
Variable Monthly Distribution & Local Transmission Charge, per kW	1.603
Variable Monthly Distribution & Local Transmission Charge, per kWh	0.0049
Metering Charge	3.69
Meter Reading Charge	1.15
Billing Charge	3.16
Public Benefits Charge, per kWh	0.0003

Tax Adjustments:

1. Total monthly sales for electric service are subject to adjustment for all federal, state and local governmental taxes or levies on such sales and any assessments that are or may be imposed by federal or state regulatory agencies on electric utility gross revenues.

Customer Information Charge:

1. Mohave Electric Cooperative shall have the right to assess a customer information charge to provide historical billing and usage data to energy service providers. Provision of this information will be subject to rules and regulations approved by the Arizona Corporation Commission. The charge for this service shall be \$25 per request.

MOHAVE ELECTRIC COOPERATIVE, INC.

RATE SCHEDULE "GS-2 1Ph"

Stranded Cost Charges:

1. Customer will be responsible for payment of charges or fees for stranded cost recovery and/or competitive market transition charges in accordance with rates and rules approved by the Arizona Corporation Commission.

Conditions of Service:

1. The terms and conditions for the provision of service to the consumer under this rate schedule are subject to the Rules and Regulations of the utility, as approved and modified from time to time by the Arizona Corporation Commission.

Effective Date:

1. This rate schedule is effective January 1, 1999.

MOHAVE ELECTRIC COOPERATIVE, INC.

RATE SCHEDULE "GS-2 3Ph"

(Small Commercial Service 50-350 kVA Three Phase)

Availability:

1. Available to small commercial consumers with average monthly demands of 50 to 350 kW within the utility's service area who elect to purchase energy resources from suppliers in the competitive market.

Character of Service:

1. Alternating current, three phase, 60 Hertz, at available secondary voltages. Three phase service furnished under the Cooperative's rules on line extensions.
2. This rate is not applicable to standby, supplementary or resale service.

Net Rate Per Month:

Fixed Monthly Distribution Charge	\$ 26.17
Variable Monthly Distribution & Local Transmission Charge, per kW	1.601
Variable Monthly Distribution & Local Transmission Charge, per kWh	0.0049
Metering Charge	7.20
Meter Reading Charge	1.72
Billing Charge	4.75
Public Benefits Charge, per kWh	0.0003

Tax Adjustments:

1. Total monthly sales for electric service are subject to adjustment for all federal, state and local governmental taxes or levies on such sales and any assessments that are or may be imposed by federal or state regulatory agencies on electric utility gross revenues.

Customer Information Charge:

1. Mohave Electric Cooperative shall have the right to assess a customer information charge to provide historical billing and usage data to energy service providers. Provisions of this information will be subject to rules and regulations approved by the Arizona Corporation Commission. The charge for this service shall be \$25 per request.

MOHAVE ELECTRIC COOPERATIVE, INC.

RATE SCHEDULE "GS-2 3Ph"

Stranded Cost Charges:

1. Customer will be responsible for payment of charges or fees for stranded cost recovery and/or competitive market transition charges in accordance with rates and rules approved by the Arizona Corporation Commission.

Conditions of Service:

1. The terms and conditions for the provision of service to the consumer under this rate schedule are subject to the Rules and Regulations of the utility, as approved and modified from time to time by the Arizona Corporation Commission.

Effective Date:

1. This rate schedule is effective January 1, 1999.

MOHAVE ELECTRIC COOPERATIVE, INC.

RATE SCHEDULE "L"

(Large Commercial & Industrial)

Availability:

1. Available to commercial and industrial consumers with average monthly demands exceeding 350 kW within the utility's service area who elect to purchase energy resources from suppliers in the competitive market.

Character of Service:

1. Alternating current, single phase or three phase, 60 Hertz, at available secondary or primary voltages.
2. This rate is not applicable to standby, supplementary or resale service.

Net Rate Per Month:

Fixed Monthly Distribution Charge	\$ 95.10
Variable Monthly Distribution & Local	
Transmission Charge, per kW	0.8252
Variable Monthly Distribution & Local	
Transmission Charge, per kWh	0.0022
Metering Charge	10.56
Meter Reading Charge	1.72
Billing Charge	4.75
Public Benefits Charge, per kWh	0.0003

Tax Adjustments:

1. Total monthly sales for electric service are subject to adjustment for all federal, state and local governmental taxes or levies on such sales and any assessments that are or may be imposed by federal or state regulatory agencies on electric utility gross revenues.

Customer Information Charge:

1. Mohave Electric Cooperative shall have the right to assess a customer information charge to provide historical billing and usage data to energy service providers. Provision of this information will be subject to rules and regulations approved by the Arizona Corporation Commission. The charge for this service shall be \$25 per request.

MOHAVE ELECTRIC COOPERATIVE, INC.

RATE SCHEDULE "L"

Stranded Cost Charges:

1. Customer will be responsible for payment of charges or fees for stranded cost recovery and/or competitive market transition charges in accordance with rates and rules approved by the Arizona Corporation Commission.

Conditions of Service:

1. The terms and conditions for the provision of service to the consumer under this rate schedule are subject to the Rules and Regulations of the utility, as approved and modified from time to time by the Arizona Corporation Commission.

Effective Date:

1. This rate schedule is effective January 1, 1999.

MOHAVE ELECTRIC COOPERATIVE, INC.

RATE SCHEDULE "IP"

(Large Irrigation Pumping)

Availability:

1. Available to large irrigation pumping consumers with connected pumping loads exceeding 50 horsepower within the utility's service area who elect to purchase energy resources from suppliers in the competitive market.

Character of Service:

1. Alternating current, single phase or three phase, 60 Hertz, at available secondary voltages.

2. This rate is not applicable to standby, supplementary or resale service.

Net Rate Per Month:

Fixed Monthly Distribution Charge	\$ 29.79
Variable Monthly Distribution & Local Transmission Charge, per kW	5.67
Variable Monthly Distribution & Local Transmission Charge, per kWh	0.00596
Metering Charge	5.29
Meter Reading Charge	2.87
Billing Charge	4.75
Public Benefits Charge, per kWh	0.0003

Tax Adjustments:

1. Total monthly sales for electric service are subject to adjustment for all federal, state and local governmental taxes or levies on such sales and any assessments that are or may be imposed by federal or state regulatory agencies on electric utility gross revenues.

Customer Information Charge:

1. Mohave Electric Cooperative shall have the right to assess a customer information charge to provide historical billing and usage data to Energy Service Providers. Provision of this information will be subject to rules and regulations approved by the Arizona Corporation Commission. The charge for this service shall be \$25 per request

MOHAVE ELECTRIC COOPERATIVE, INC.

RATE SCHEDULE "IP"

Stranded Cost Charges:

1. Customer will be responsible for payment of charges or fees for stranded cost recovery and/or competitive market transition charges in accordance with rates and rules approved by the Arizona Corporation Commission.

Conditions of Service:

1. The terms and conditions for the provision of service to the consumer under this rate schedule are subject to the Rules and Regulations of the utility, as approved and modified from time to time by the Arizona Corporation Commission.

Effective Date:

1. This rate schedule is effective January 1, 1999.